

Message Text

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47 42

ACTION AID-59

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P 290850Z APR 76

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 1244

C O N F I D E N T I A L TEL AVIV 2976

E.O. 11652: GDS

TAGS: EFIN, IS

SUBJ: SHORT TERM LOANS TO ISRAEL

REF: TEL AVIV 2934 AND PREVIOUS

1. CHASE MANHATTAN VICE PRESIDENTS NEAL FARREL AND JACK KIPPENBERG, WHO ARE CURRENTLY VISITING ISRAEL, BRIEFED ECON COUNSELOR APRIL 28 ON THEIR DISCUSSIONS WITH ISRAELI OFFICIALS AND BANKERS. THEIR MOST INTERESTING OBSERVATIONS FOLLOW.

2. CHASE MANHATTAN'S LINE OF CREDIT TO ISRAELI BANKS IS NOW IN RANGE OF \$150-\$200 MILLION. THIS IS STANDARD SHORT TERM NOTES EXTENDED FOR 180 DAYS AT INTEREST ONE TO TWO PERCENT ABOVE PRIME RATE. BANK LEUMI HAS LARGEST CREDIT LINE AMOUNTING TO \$70 MILLION AT PRESENT.

3. WHEN ASKED ABOUT FINANCE MINISTER RABINOWITZ' RECENT STATEMENT THAT HE HAD REJECTED A \$70 MILLION LOAN FROM DAVID ROCKEFELLER (TEL AVIV 2893), THEY SAID THAT IN ACTUAL FACT CHASE HAD OFFERED GOI \$60 MILLION AT SHORT TERM IN JUNE 1975, IN ADDITION TO CREDIT LINES TO BANKS, BUT GOI HAS SO FAR DECLINED TO ACCEPT IT. OFFER WAS RENEWED DURING ROCKEFELLER'S VISIT TO ISRAEL LAST MONTH (TEL AVIV 1670). ISRAELIS STILL HAVE
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NOT TAKEN UP THIS LOAN, PRESSING INSTEAD FOR LONGER TERM CREDIT

IN FIVE TO SEVEN YEAR RANGE.

4. ISRAELIS ASKED CHASE LAST YEAR TO LOAN THEM ONE-HALF BILLION DOLLARS FOR FIVE YEARS, WHICH CHASE REFUSED TO DO. CHASE, THEY SAID, HAS AND WILL CONTINUE TO EXTEND LONGER TERM CREDIT IN LIMITED AMOUNTS FOR VIABLE PROJECTS INCLUDING CREDIT FOR POWER STATEION EQUIPMENT AND AIRCRAFT, BUT IS NOT PREPARED TO EMBARK ON COURSE OF "BALANCE OF PAYMENTS LENDING". CHASE BELIEVES THAT LATTER IS PROVINCE OF GOVERNMENTS AND NOT APPROPRIATE FOR COMMERCIAL BANKS.

5. FARREL CONCLUDED ON NOTE THAT ISRAELI INSISTENCE ON LONGER TERM CREDIT IS CAUSING REAL CONCERN TO CHASE AS WELL AS TO OTHER U.S. BANKS DOING BUSINESS WITH ISRAEL. HE SAID THAT ISRAELIS HAVE BEEN EXERTING ENORMOUS PRESSURE TO MOVE CHASE IN THAT DIRECTION, BUT CHASE BELIEVES IT IS WHOLLY JUSTIFIED IN HOLDING ITS GROUND. HE ADDED THAT ALL U.S. BANKS HAVE NAGGING CONCERN ABOUT ISRAEL'S GROWING DEBT SERVICING BURDEN AND ITS INCREASING DEPENDENCY ON MASSIVE U.S. FINANCIAL ASSISTANCE. THEY DO NOT EXPECT THE SKY TO FALL IN ANY TIME SOON BUT DO WONDER HOW LONG CONGRESS WILL CONTINUE TO APPROVE AID TO ISRAEL AT CURRENT LEVELS.
TOON

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